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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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THIS IS UNEVALUATED INFORMATION

1. For several months prior to July 1954, the precision instrument industry in East Germany suffered from overproduction. This overproduction was caused by the following factors: 25X1

a) Shortly after World War II the Soviets placed large orders for precision instruments in East Germany and the industry was expanded rapidly to meet them. Now the Soviets have apparently expanded their own industry to the point where it will cover their own needs, for Soviet orders have decreased alarmingly. 25X1

b) The satellite states, which formerly placed large orders for precision instruments in East Germany, try to buy on the free markets of Western Europe whenever possible since DME are kept artificially high in relation to their own and Western European currencies.

c) For years the East German precision instrument industry has concentrated solely on production and has completely neglected sales promotion.

2. In an effort to counteract this overproduction, the East German Government is adopting the following measures:

a) Production is being redirected into other channels. For instance, the Schaeffer & Buddenberg factory in Magdeburg, which formerly produced armatures and precision instruments, has now switched one production line to the construction of small gasoline engines. 25X1

b) An eight-man trade delegation has been dispatched to South America to try to develop new markets for surplus East German precision instruments. 1

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